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Congress Is of Two Minds on Egypt's Quest for Debt Relief

By Jonathan Broder, CQ Staff

Egyptian officials are scheduled to visit Washington this week to request relief from their country's \$3.3 billion debt to the United States. Their timing could not be worse, or more opportune, depending on whom they talk to.

The Egyptian delegation, led by Faysa Abul Naga, minister of international cooperation and planning, will meet with congressional leaders and senior administration officials at a time when both branches of government want to cut spending. The pressure to reduce the deficit has complicated Washington's response to the pro-democracy protests that toppled friendly governments in Egypt and Tunisia and threaten other regimes across the Middle East.

Some lawmakers, including New York Democrat Gary L. Ackerman, a senior member of the House Foreign Affairs Committee, favor reducing or forgiving Egypt's debt, arguing that the United States is unlikely to see the money anyhow thanks to the economic damage caused by the revolution. So, Ackerman says, Washington may as well buy goodwill with Egypt's new leaders by removing a financial burden.

The first step in providing relief would be to mark down the outstanding debt to its market value — likely much less than \$3.3 billion. With a smaller number, it would be easier to forgive the debt.

Ackerman said such a move by the United States could motivate European countries to honor Egypt's pending request for relief from \$29 billion in debt to central banks there.

"This is placing a bet with money we've already spent," said Ackerman, the ranking member of the Middle East subcommittee. "There's a reasonable chance that they will be grateful to us for helping them in their hour of need. That's important, not only for our national security interests but also for peace in the Middle East."

Other lawmakers are more cautious, saying they want to wait until after Egypt's September elections before making decisions about debt relief.

"That's just the responsible way to do it," said Kay Granger, R-Texas, who chairs the House Appropriations panel with jurisdiction over foreign assistance spending. "We have to have as full a picture as we possibly can get before we do this, knowing we're in a transition period."

With legislation needed to relieve a country's debt to the United States, the Egyptian delegation — which includes the country's finance minister and the head of its central bank — will meet April 14 with House members including Granger, Ackerman, New York Democrat Nita M. Lowey, who is the ranking member on Granger's panel, and Foreign Affairs Chairwoman Ileana Ros-Lehtinen, R-Fla.

In the Senate, the delegation is scheduled to meet with Pennsylvania Democrat Bob Casey, chairman of the Foreign Relations Middle East subcommittee.

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...with Congress imposing cuts on domestic programs, debt relief is a tough sell, and Egypt is facing possible cuts in the roughly \$2 billion in annual aid it has received since it signed a U.S.-brokered peace treaty with Israel in 1979.

A congressional aide who favors debt relief compares it to the Marshall Plan that helped rebuild western Europe after World War II. "We have to act to make sure the Egyptian revolution doesn't go south, to the extent we're capable of doing so," the aide said.

But he acknowledged the Egyptians and their allies in Congress "have a tough row to hoe."

The Livingston Group LLC provides representation for the Government of the Arab Republic of Egypt. Additional information is available at the Department of Justice, Washington, DC.

The Washington Post

Time to up the ante on Egypt

By David Ignatius, Tuesday, April 19, 8:00 PM

Samuel Johnson famously observed that the prospect of hanging concentrates the mind. The same could be said about America's current budget crisis: It should force some hard decisions about foreign policy priorities — so that we spend more to support the democratic revolution in Egypt and less to seek a military solution in Afghanistan.

Today, the United States is allocating about \$110 billion annually for the Afghan war, about \$3.2 billion for military and economic aid to Pakistan, and about \$150 million in special assistance to help Egypt's democratic revolution. In term of U.S. national interests, those spending levels don't make sense. The pyramid is upside down.

President Obama should seize this budget-crisis moment to change national security spending for the next fiscal year. The rationale for the shower of cash in Afghanistan is to prevent future attacks by al-Qaeda. But, frankly, a successful, democratic Egypt will be a more potent counter to the spread of Islamic terrorism than a stable Afghanistan. And a prosperous, democratic Pakistan would be the best safeguard of all.

This is not an argument for pulling the plug in Afghanistan, especially at the start of this year's "fighting season." The United States should stick to its broad timetable for transferring responsibility to the Afghans in 2014. But we should spend less, going forward, as we move along the exit ramp. This will mean a smaller military footprint, more use of paramilitary forces and more emphasis on diplomacy.

The time is right for this pivot. Recent weeks have brought new outreach to the Taliban. Secretary of State Hillary Clinton on Feb. 18 announced a "diplomatic surge" and subtly shifted what had been preconditions for Afghan peace talks so that they were instead "necessary outcomes." And she hired Marc Grossman, a veteran diplomat who strongly favors negotiation with the Taliban, as her new Afghanistan representative. The quiet, low-key Grossman may have better luck facilitating this process than did his high-voltage predecessor, the late Richard Holbrooke.

There's new momentum from Afghanistan and Pakistan as well. Pakistani Prime Minister Yousaf Raza Gillani visited Kabul last weekend to meet with President Hamid Karzai. They upgraded plans for a "joint peace commission" that, crucially, will include Gen. Ashfaq Kayani and Lt. Gen. Ahmed Shuja Pasha, the chiefs of Pakistan's army and intelligence agency, respectively, who accompanied Gillani to Kabul. The message is that Pakistan wants to help broker a peace deal, now.

for negotiations. The British are working several possible contacts with the Taliban and are circulating a plan that they are calling, in classic Anglo-speak, a “non-paper.”

The awkward question, of course, is whether the Taliban are ready to play. Some intermediaries have been saying yes, but Grossman wants more clarity about who’s on the other side. The U.S. wants a Taliban representative who can make decisions, who is connected with Mohammad Omar, the Taliban leader, and who will work toward a settlement that would include America’s three “outcomes” of renouncing al-Qaeda, halting violence and respecting the Afghan constitution. Grossman hasn’t yet found such a negotiating partner, but he’s looking — with British, Afghan and Pakistani help.

Gen. David Petraeus, the U.S. military commander in Kabul, favors negotiations in principle, but wants more time to squeeze the Taliban for leverage. Petraeus has supported the recent negotiating feelers. In the meantime, he’s hoping to disarm enough low-level Taliban fighters that Omar will have trouble fielding a robust insurgency.

Petraeus surely won’t win a military victory before he is expected to hand off command this fall, but it’s intriguing to ponder how he might oversee the coming phase, which may lean more on paramilitary forces, if he should become the next CIA director. The CIA will also remain the key point of contact with Pakistan, which is the decisive battlefield for combating al-Qaeda.

Which brings me back to support for Egypt’s democratic revolution. Simply put, there is no greater priority for U.S. counterterrorism policy than helping the Tahrir Square revolutionaries build a strong new country that can lead the rest of the Arab and Islamic world toward a better, saner future. The Egyptians are going to need help, big-time, to repair their damaged economy and their demoralized police.

America needs to put its money where its interests are. That’s the unifying link between the Arab Spring and Af-Pak: The promise of the former must lead us to change our spending mix for the latter, and the time is now.

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